Evidence finds CIA, organized crime may be implicated in failure of 22 S&Ls

S&L FRAUD

Thrift failures with possible links to organized crime and CIA operatives.

Name	City	Assets	Estimated cost to taxpayers
Continental Savings Houston	Houston	$355 million	$300 million
Mainland Savings	Houston	1 billion	400 million
Universal Savings	Houston	120 million	140 million
First Savings of East Texas	Houston	130 million	87 million
Mercury Savings	Wichita Falls	800 million	40 million
Ben Milam Savings	Cameron	250 million	60 million
Western Savings	Dallas	1.8 billion	1.3 billion
Sunbelt Savings	Dallas	3.4 billion	2 billion
Independent American Savngs	Dallas	930 million	900 million
Vernon Savings	Dallas	1.5 billion	1.3 billion
State Savings	Lubbock	700 million	585 million
Delta Savings	Alvin	200 million	130 million
Peoples Savings	Llano	170 million	200 million
Lamar Savings	Austin	2 billion	1 billion
Summit Savings	Dallas	186 million	150 million
Vision Banc Savings	Kingsville	70 million	50 million
Sunrise Savings	Boynton Beach, Fla.	1.5 billion	681 million
Hill Financial Savings	Red Hill, Pa.	2.7 billion	1.9 billion
Sandia Federal Savings	Abuquerque, N.M.	830 million	450 million
Peoples Heritage Savings	Salina, Kan.	1.7 million	375 million
Liberty Federal Savings	Leesville, La.	138 million	20 million
Silverado Savings	Denver	2.3 billion	1 billion
Estimated total cost of covering federally insured deposits:			$13.1 billion

Source: The Houston Post, based on government documents, sworn testimony and interviews with key government investigators and prosecutors.

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BY PETE BREWTON
OF THE HOUSTON POST STAFF

Evidence related to the nation's savings and loan crisis suggests a possible link between the Central Intelligence Agency and organized crime in the failure of at least 22 thrifts, including 16 in Texas.

The Houston Post, during an eight-month investigation into the role of fraud in S&L failures, has found numerous links between organized crime figures and CIA operatives, including some involved in gun running, drug smuggling, money laundering and covert aid to the Nicaraguan Contras.

The evidence obtained by The Post from court documents, sworn testimony, law enforcement records and interviews with key government investigators and prosecutors suggests that the CIA may have used part of the proceeds from S&L fraud to help pay for covert operations and other activities that Congress was unwilling to support publicly.

The CIA denied that the agency has used savings and loans to fund covert activities. "That would be a violation of U.S. laws, and we do not violate U.S. laws," said CIA spokesman Mark Mansfield.

The Post, however, found evidence that the CIA has intervened in criminal investigations involving agency operatives accused of S&L fraud, and may be at least partly responsible for the fact that a substantial amount of suspected fraud has gone unprosecuted.

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> — Mark Mansfield, CIA spokesman

Lloyd Monroe, a former prosecutor with the Justice Department's organized crime strike force, said the federal agencies responsible for investigating S&L fraud are not in the "position to investigate wrongdoing, and are being precluded from investigating wrongdoing that is possibly being conducted in the name of national security."

Monroe, now a fellow at Brown University, asked rhetorically: "How do you expect the government to investigate itself?"

Richard Brenneke, a former CIA contract agent, testified in September 1988 during a federal court trial in Denver that the CIA had set up a systematic program to raise money for the Contras.

Support for the Contras first became a point of controversy in 1984, when the Democratic controlled Congress cut off aid to the Contras after revelations that the CIA had helped mine Nicaraguan harbors. Yet there were allegations that CIA aid continued despite the ban.

The late William Casey, then director of the CIA, and Lt. Col. Oliver North, then a White House aide, had wanted to set up self-sustaining operations that would not be dependent on Congress for approval and funding. One of these was the program to sell arms to Iran and divert the profits to the Contras, a scheme that led to North's resignation and subsequent prosecution for his role in the affair.

Brenneke said the CIA effort to raise money for covert operations involved a number of schemes to siphon funds from financial institutions "at the expense of an insurance company," meaning the federal deposit insurance program.

After the trial, Brenneke told The Post that the banking and S&L officials involved in such schemes were required to sign "secrecy agreements" with the CIA.

The Post in 1988 reported that a number of failed Texas S&Ls had connections to reputed organized crime figures Mario Renda and Herman K. Beebe, who both later pleaded guilty to bank fraud in separate cases.

Since then, The Post has found possible links between the CIA and S&L fraud, as well as additional evidence of connections between organized crime figures and failed thrifts.

The 22 collapsed S&Ls not only include large institutions such as Mainland Savings in Houston and Sunbelt Savings in Dallas, but tiny thrifts such as Vision Banc Savings in Kingsville.

In each case, the institution made substantial loans to people with links to organized crime, the CIA or both. Eighteen of the 22 were either owned or controlled by people with links to organized crime, the CIA or both. And in each institution's failure, fraud was a key factor.

All told, their demise could eventually cost taxpayers an estimated $13 billion to cover federally insured deposits.

Monroe, who successfully prosecuted Renda in Kansas City, said although he is convinced the CIA either masterminded or condoned a certain amount of S&L fraud, proving it would be extremely difficult.

"To get to the bottom of it would take 10 times the effort" it took to put Renda behind bars, Monroe said.

"It's like trying to grab smoke," said Bruce Maffeo, former special prosecutor with the Justice Department's Organized Crime Strike Force in Brooklyn.

Congress has done little to spotlight the full scope of S&L fraud, with the possible exception of the House Banking Committee under U.S. Rep. Henry B. Gonzalez, D-Texas. His committee has been investigating Charles Keating and the failure of his Lincoln Savings in California.

The absence of more intense scrutiny is despite reports by the staff of a congressional subcommittee and the General Accounting Office that fraud was a key factor in most of the nation's S&L failures.

Most of the money lost in S&L failures has yet to be be traced to its ultimate destination. The celebrated cases of S&L officials' wanton spending on cars, boats, planes, condos and lavish entertainment account for only a tiny percentage of the money lost. Federal and congressional investigators who have the subpoena power to trace the money have shown little apparent interest in doing so.

Monroe, the former prosecutor, said he suspects that Congress and federal regulatory agencies have not been more aggressive because high government officials were aware of what he believes was the CIA's involvement in S&L fraud.

As matters now stand, Monroe said, CIA and high government officials who might have had ties to people involved in S&L fraud can maintain the facade of "plausible deniability" that they ordered or condoned anything improper.

At the same time, Monroe said, "the CIA knows that these people are going to use their financial institutions (for CIA purposes) and are going to come to the CIA when they get in trouble."